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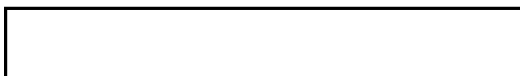
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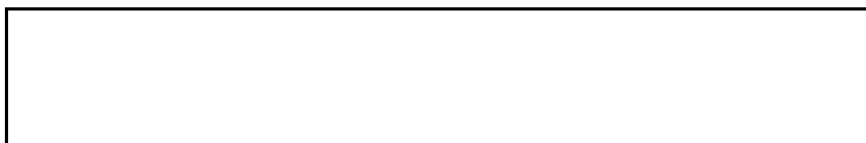
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Iran: [The Shah appears to be heading for a showdown with the Western consortium over the issue of oil revenues for Iran.]

[The Shah is especially angered because the consortium's latest quarterly payment was based in part on the predevaluation pound, a loss to Iran of about \$12 million. Using such terms as "robbery" and "thieves," the Shah told the US ambassador on 28 December that if the consortium members wanted "war," they could have it. The Shah suggested the possibility of unilateral legislation to ensure Iran undepreciable payments, and to provide for Iranian sale of oil which the consortium does not export. He has previously threatened to take the oil revenue issue "to the Iranian people." The consortium states that its position is legally correct, but it is making efforts to find some sort of compromise.]

[The payments issue is an irritating facet of the over-all problem of oil revenues which has been under discussion since October. The Iranian Government has presented the consortium with the schedule of the oil exports required to fulfill Iran's "fourth plan" (1968-1972). The Shah claims to need \$5.9 billion from oil revenues for that period, but the consortium believes that this figure is excessive. Iranian officials concede that the plan was drawn up on the basis of faulty oil revenue estimates, but insist that the consortium must come up with the money one way or another.]

[The oil revenue problem, a recurring one, is particularly touchy this year because Iranian expectations were so high. Iranian officials have assumed that their cooperation with the consortium during the Middle East crisis would guarantee them favorable treatment in the form of greatly increased oil exports.]

(continued)

The Shah has long claimed that Iran, as a stable and progressive nation, is more deserving of large revenues than Saudi Arabia, Kuwait, or the sheikdoms. He is bitterly disillusioned now that the expected favorable treatment does not seem to be materializing. The consortium believes it is doing all it can for Iran in view of the near glut in the world oil market.7

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*Cuba: Fidel Castro devoted most of his annual 2 January speech to a discussion of Cuban economic developments. He admitted that increased fuel consumption has caused an acute shortage of petroleum products and said that as a result Cuba will face belt-tightening and rationing in 1968. Closing the speech with his usual jab at "US imperialism," Castro declared Cuba independent from any ideology but its own and said that his regime "will carry forward its internationalist policy of solidarity with the revolutionary movement throughout the world."

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